

STARWOOD METROPOLITAN DISTRICT

—

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

—

DECEMBER 31, 2020

FINANCIAL STATEMENTS - 2020

STARWOOD METROPOLITAN DISTRICT

2020 BOARD OF DIRECTORS

Kurt Hollinger, President

Rocky Tschappat, Vice President

Ron Garfield, Treasurer

Nancy Magoon

Jill Wagner

ADMINISTRATION

Meg Haynes, Chief Executive Officer

Mark Asher, District Manager

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To the Board of Directors
Starwood Metropolitan District

We have audited the accompanying financial statements of the business-type activities and the major fund of the Starwood Metropolitan District, as of and for the year ended December 31 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Starwood Metropolitan District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starwood Metropolitan District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CaloCA Services, PC

Rangely, Colorado
November 23, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of the Starwood Metropolitan District's (the "District") financial performance provides readers with an overall review of the financial activities of the District for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities and deferred inflows of resources by \$4,609,307 at December 31, 2020.
- Total District's cash and investments decreased by \$391,999 or 25 percent from 2019.
- The December 31, 2020 Net Position balance is \$305,927 less than the previous year.

USING THIS ANNUAL REPORT

This Annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

OVERVIEW OF THE DISTRICT'S FINANCIAL STATEMENTS

Fund Financial Statements

The *Statement of Net Position* presents information on all District assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected service charges and earned but unused vacation leave).

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the current year. When used with related disclosures and information in the other financial statements, the information provided in this statement should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position of its cash and its non-cash investing, capital and related financing transactions during the year.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 21 of this report.

Budgetary Comparisons. The District adopts an annual appropriated budget for the Enterprise Fund. A budgetary comparison statement has been provided for the Enterprise Fund on page 23 through 24 of this report.

REPORTING THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the District's net position for 2019 and 2020.

	Governmental Activities	
	2019	2020
Assets		
Current and other assets	\$ 3,378,003	\$ 2,972,605
Capital assets	6,186,760	5,839,598
Total assets	<u>9,564,763</u>	<u>8,812,203</u>
Liabilities		
Current and other liabilities	194,545	99,027
Long-term liabilities	2,791,095	2,419,215
Total liabilities	<u>2,985,640</u>	<u>2,518,242</u>
Deferred Inflows of Resources		
Unearned property taxes	1,663,889	1,684,654
Total deferred inflows of resources	<u>1,663,889</u>	<u>1,684,654</u>
Net Position		
Net investment in capital assets	3,395,665	3,420,383
Restricted	58,207	53,299
Unrestricted	1,461,362	1,135,625
Total net position	<u>\$ 4,915,234</u>	<u>\$ 4,609,307</u>

A significant portion of the District's position represents unrestricted net position of \$1,135,625 which may be used to meet the ongoing obligations to patrons and creditors.

Another significant portion of the District's net position reflects its investment in capital assets. These assets include land, buildings, plant, equipment and construction in progress. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$53,299 of the District's net position represents resources that are subject to external restrictions on how they may be used. The restriction is for the TABOR emergency reserve.

The following table indicates the changes in net position for 2019 and 2020.

	2019	2020
Revenues:		
Program revenues:		
Charge for services	\$ 245,457	\$ 225,165
General revenues:		
General property taxes	1,671,154	1,570,822
Specific ownership tax	58,667	53,909
Investment earnings	45,241	4,285
Other	8,029	15,889
Total revenues	<u>2,028,548</u>	<u>1,870,070</u>
Expenses:		
Operating expenses	1,411,303	1,643,696
Depreciation	342,541	378,573
Interest expense	74,372	64,967
Treasurer's fees	83,746	78,804
Amortization	9,957	9,957
Total expenses	<u>1,921,919</u>	<u>2,175,997</u>
Increase (decrease) in net position	<u>\$ 106,629</u>	<u>\$ (305,927)</u>

The District's net position decreased by \$305,927 in 2020. Key elements of this decrease are as follows:

Property taxes decreased by \$100,339 or 6% and a legal settlement of \$350,000 was paid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

Information about the District's operations begins on page 9. This fund is accounted for using the accrual basis of accounting.

As of December 31, 2020, the total net position balance of the District's proprietary fund was \$4,609,307. Approximately 25 percent of this consists of unrestricted fund equity, which is available as working capital and for current spending in accordance with the purposes of the District. The remainder of the net position is reserved to indicate that it is not available for new spending because it is committed for the following purpose: (1) a state-Constitution mandated emergency reserve (\$53,299) and (2) net investment in capital assets (\$3,420,383). The District had revenues of \$1,870,070 and expenses of \$2,175,997.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes.

2020 Fund Budget

	Original Budget	Amend- Ments	Final Budget	Actual
Beginning Fund Balance	\$ 1,482,124	\$ -	\$ 1,482,124	\$ 4,915,234
Revenues and other financing sources	1,968,882	-	1,968,882	1,870,071
Expenditures and other financing uses	(2,159,685)	(350,000)	(2,509,685)	(2,178,524)
Ending Fund Balance	<u>\$ 1,291,321</u>	<u>\$ (350,000)</u>	<u>\$ 941,321</u>	<u>\$ 4,606,781</u>

Actual revenues and other financing sources were \$98,811 less than budgeted revenues and other financing sources. Property taxes were \$93,060 less than budgeted, which was the main contributor for the difference.

Actual expenditures and other financing uses were \$331,161 less than budgeted expenditures and other financing uses. Operating supplies and expenses were \$373,315 less than budgeted and was the main contributor for the difference.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2020 totaled \$3,420,383 (net of accumulated depreciation and related debt). This investment includes all land, buildings, plant, equipment, and construction in progress. The total increase in investment in capital assets for the current year was \$24,718 or 1 percent.

The District uses the straight-line depreciation method under GASB 34 for its capital assets, except for land, water rights, and construction in progress which is not depreciated.

Major purchases for the year include a well valve replacement.

Long-term Debt. During the year ended December 31, 2020, the District had three outstanding debt obligations totaling \$2,419,215. See Note 5 of the financial statements for more information on long-term debt.

ECONOMIC FACTORS AND OTHER MATTERS

Other Matters. The following factors are expected to have a significant effect on the District's financial position and results of operations and were taken into account in developing the 2021 budget:

- No major changes anticipated.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 121 Stewart Drive, Aspen, Colorado 81611.

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FINANCIAL STATEMENTS

STARWOOD METROPOLITAN DISTRICTSTATEMENT OF NET POSITION
December 31, 2020

ASSETS	
Cash	\$ 749,724
Investments	402,151
Accounts receivable	80,797
Property taxes receivable	1,684,654
Prepaid expenses	18,947
Bond issuance costs, net of accumulated amortization	36,332
Capital assets, nondepreciable	1,088,007
Capital assets, net	<u>4,751,591</u>
TOTAL ASSETS	<u>8,812,203</u>
LIABILITIES	
Accounts payable	33,139
Accrued interest payable	5,335
Accrued expenses	60,553
Noncurrent liabilities	
Due within one year	322,450
Due in more than one year	<u>2,096,765</u>
TOTAL LIABILITIES	<u>2,518,242</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - property taxes	<u>1,684,654</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,684,654</u>
NET POSITION	
Net investment in capital assets	3,420,383
Restricted for Tabor emergencies	53,299
Unrestricted	<u>1,135,625</u>
TOTAL NET POSITION	<u><u>\$ 4,609,307</u></u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

STARWOOD METROPOLITAN DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2020

OPERATING REVENUE	
Charges for services	\$ 225,165
	<u>225,165</u>
TOTAL OPERATING REVENUE	<u>225,165</u>
OPERATING EXPENSES	
Personnel costs	671,640
Other operating costs	265,075
General and administrative	356,981
Depreciation	378,573
	<u>1,672,269</u>
TOTAL OPERATING EXPENSES	<u>1,672,269</u>
OPERATING INCOME (LOSS)	<u>(1,447,104)</u>
NON-OPERATING REVENUES (EXPENSES)	
Property taxes (net)	1,492,017
Specific ownership tax	53,909
Penalties and interest on delinquent taxes	1,269
Interest income	4,285
Insurance reimbursement	14,621
Interest expense	(64,967)
Amortization of bond issue costs	(9,957)
Legal settlement	(350,000)
	<u>1,141,177</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>1,141,177</u>
CHANGE IN NET POSITION	(305,927)
NET POSITION, BEGINNING OF YEAR	<u>4,915,234</u>
NET POSITION, END OF YEAR	<u>\$ 4,609,307</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

STARWOOD METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 221,442
Cash payments to suppliers for goods and services	(702,045)
Cash payments to employees for services	(657,204)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(1,137,807)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Property tax (net of treasurer fees)	1,492,017
Specific ownership tax	53,909
Penalties and interest on delinquent taxes	1,269
Payment if legal settlement	(350,000)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,197,195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(31,411)
Insurance reimbursement	14,621
Principal paid on debt	(359,645)
Interest paid on debt	(79,237)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(455,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	981,765
Investment income	4,285
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>986,050</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	589,766
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>159,958</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 749,724</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,447,104)
Adjustments to reconcile operating income (loss) to Net cash provided (used) by operating activities:	
Depreciation	378,573
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(3,723)
Decrease (increase) in prepaids	27,930
Increase (decrease) in accounts payable	(107,919)
Increase (decrease) in accrued expenses	14,436
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (1,137,807)</u>

The accompanying "Notes to Financial Statements" are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Starwood Metropolitan District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the more significant policies consistently used in the preparation of the financial statements.

A. Financial Reporting Entity

The District was originally formed on September 16, 1983 as the Starwood Water District, a political subdivision of the State of Colorado. On March 26, 2001, the Starwood Water District was converted to a metropolitan district, a political subdivision of the State of Colorado, to provide parks and recreation, safety protection, street improvements, water and other metropolitan services. The District is governed by an elected five-member board.

These financial statements present only the District after considering if any potential component units should be included in the District's reporting entity based on their operational or financial relationships with the District.

B. Measurement focus, basis of accounting, and financial statement presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District uses the accounting principles applicable to enterprise funds. The Enterprise Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District recognizes the portion of tap fees intended to recover the cost of connecting new customers to the system as capital contribution. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Fixed Assets

Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Fixed Assets, continued

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In 2020 no interest was capitalized.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Water system	40
Building and improvements	25
Equipment	5
Infrastructure	20

D. Property Taxes

Property taxes are levied on December 22 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in full by June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, in that the District's experience indicates that all material amounts will be collected and paid to the District.

E. Budgets and Budgetary Accounting

The District's directors follow these procedures in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the office manager submits to the District's directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain the taxpayers' comments.

Prior to December 15 the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year.

The budget for the Enterprise Fund is adopted on a basis which differs from GAAP in that outlays for debt retirement principal and acquisitions of fixed assets are included as expenses, and depreciation is excluded from expenses.

Appropriations lapse at the end of each calendar year.

The District's directors may authorize supplemental appropriations during the year. A supplemental appropriation was made during the year ended December 31, 2020 increasing expenditures by \$350,000 from \$2,159,685 to \$2,509,685.

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Compensated Absences

The District allows full-time employees to accrue vacation at a rate based on years of service and on the time actually worked. Unused vacation cannot be carried over to the next year. Therefore, unused vacation that is earned but not used, up to 40 hours, by December 31, is paid out during the first quarter of the following year. Additionally, unused accrued sick leave and personal time are paid out during the first quarter of the following year.

G. Cash Equivalents

For purposes of the statement of cash flows the District considers all investments in highly liquid debt instruments (including restricted assets) with a maturity of three months or less, to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Prepaid Items

Payments made to vendors for services representing costs applicable to future accounting periods are recorded as prepaid items.

J. Accounts Receivable

The District considers accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts is maintained. If amounts become uncollectible, they are charged to operations when that determination is made. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

K. Deferred Charges

Deferred charges represent bond issuance costs, which are amortized on the straight-line method over the life of the related bond issue.

NOTE 2 - CASH AND INVESTMENTS

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral included municipal bonds, U.S. government securities, mortgage, and deeds of trust.

State statutes authorized the District to invest in obligation of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - CASH AND INVESTMENTS, Continued

The District's investment policy is not more restrictive than State statutes. The District's investments are concentrated in local government investment pools, U.S. government and agency securities, and bank CDs.

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value arising from increasing interest rates.

Investments for the District are reported at market value. Investments held are as follows:

<u>December 31, 2020</u>	<u>Cost</u>	<u>Market Value</u>
COLOTRUST	\$ 402,151	\$ 402,151
Total	<u>\$ 402,151</u>	<u>\$ 402,151</u>

The District has invested \$402,151 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operated similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. At December 31, 2020 the District's investment in the COLOTRUST was rated AAAM by Standard & Poor's.

A summary of cash and investments is as follows:

Cash and cash equivalents	
Cash with County	\$ 4,449
Cash deposits in bank	<u>745,275</u>
Total cash and cash equivalents	<u>749,724</u>
Investments	
COLOTRUST	<u>402,151</u>
Total investments	<u>402,151</u>
Total cash and investments	<u>\$1,151,875</u>
Cash and cash equivalents	\$ 749,724
Investments	<u>402,151</u>
Total cash and investments	<u>\$1,151,875</u>

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 - PROPERTY TAXES

Revenue Recognized in 2020

Local property taxes levied in 2019 and collected in 2020 are recognized as revenue in these financial statements as shown below:

	Assessed	Mill	Amount of Taxes		Percent
	Valuation	Levy	Levied	Collected	Collected
Enterprise Fund	\$ 53,668,660	31.003	\$1,663,889	\$1,656,658	99.57%

Property Taxes Receivable and Deferred Revenues

Local Property taxes levied in 2020 but not collectible until 2021 are shown as property taxes receivable and deferred revenue.

	Assessed	Mill	Estimated	Property	Deferred
	Valuation	Levy	Percent	Taxes	Revenue
			Collectible	Receivable	
Enterprise Fund	\$ 52,269,740	32.230	100.0%	\$ 1,684,654	\$ 1,684,654

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	January 1, 2020	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land	\$ 45,229	\$ -	\$ -	\$ 45,229
Water rights	1,039,439	3,339	-	1,042,778
Total assets not being depreciated	1,084,668	3,339	-	1,088,007
Capital assets being depreciated:				
Water system	3,749,475	26,872	-	3,776,347
Building and improvements	4,308,318	-	-	4,308,318
Equipment	606,691	1,200	-	607,891
Infrastructure	2,089,360	-	-	2,089,360
Total assets being depreciated	10,753,844	28,072	-	10,781,916
Less accumulated depreciation:				
Water system	(2,757,916)	(108,345)	-	(2,866,261)
Building and improvements	(891,197)	(135,842)	-	(1,027,039)
Equipment	(474,584)	(52,252)	-	(526,836)
Infrastructure	(1,528,055)	(82,134)	-	(1,610,189)
Total accumulated depreciation	(5,651,752)	(378,573)	-	(6,030,325)
Total assets being depreciated, net	5,102,092	(350,501)	-	4,751,591
Business-type activities capital assets, net	\$ 6,186,760	\$ (347,162)	\$ -	\$ 5,839,598

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 - CHANGES LONG-TERM DEBT

A summary of changes in long-term debt during 2020 follows:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>	<u>Due within one year</u>
Business-type activities:					
Loans payable, 2018	\$1,422,134	\$ -	\$ 59,645	\$ 1,362,489	\$ 62,450
Bonds payable, 2012	295,000	-	170,000	125,000	125,000
Bonds payable, 2016	1,005,000	-	130,000	875,000	135,000
Bond premium, 2012	6,374	-	3,187	3,187	-
Bond premium, 2016	62,587	-	9,048	53,539	-
Business-type activities long-term liabilities	<u>\$2,791,095</u>	<u>\$ -</u>	<u>\$ 371,880</u>	<u>\$ 2,419,215</u>	<u>\$ 322,450</u>

Series 2012A

The District issued its General Obligation Refunding Bonds, Series 2012A, dated October 4, 2012, in the amount of \$1,210,000. The indebtedness was approved by the electorate on May 2012, for the purpose of refunding certain District general obligation bonds.

The bonds bear interest of 2.00% per annum and mature on December 1, 2021. Principal is payable annually on December 1 starting in 2014, with interest payable semiannually on June 1 and December 1.

The debt service requirements for the General Obligation Refunding Bonds Series 2012A issued in 2012 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 125,000</u>	<u>\$ 2,500</u>	<u>\$ 127,500</u>
	125,000	2,500	127,500
Premium	<u>3,187</u>	<u>(3,187)</u>	<u>-</u>
	<u>\$ 128,187</u>	<u>\$ (687)</u>	<u>\$ 127,500</u>

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 - CHANGES LONG-TERM DEBT, Continued

Series 2016

The District issued its General Obligation Refunding Bonds, Series 2016, dated March 23, 2016, in the amount of \$1,300,000. The indebtedness was approved by the electorate on February 2016, for the purpose of refunding certain District general obligation bonds.

The bonds bear interest of 2.00% to 3.00% per annum and mature on December 1, 2026. Principal is payable annually on December 1 starting in 2016, with interest payable semiannually on June 1 and December 1.

The debt service requirements for the General Obligation Refunding Bonds Series 2016 issued in 2016 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 135,000	\$ 26,250	\$ 161,250
2022	135,000	22,200	157,200
2023	145,000	18,150	163,150
2024	150,000	13,800	163,800
2025	155,000	9,300	164,300
2026	<u>155,000</u>	<u>4,650</u>	<u>159,650</u>
	875,000	94,350	969,350
Premium	<u>53,539</u>	<u>(53,539)</u>	<u>-</u>
	<u>\$ 928,539</u>	<u>\$ 40,811</u>	<u>\$ 969,350</u>

Loan 2018

The District entered into a loan agreement with ANB Bank, dated March 1, 2018, in the amount of \$1,550,000. The indebtedness was approved by the electorate on November 2017, for the purpose of financing construction of a fire station.

The bonds bear interest from 3.00% per annum and mature on December 1, 2037. Principal and interest payment of \$51,416 is payable bi-annually on June 1 and December 1.

The debt service requirements for the loan are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 62,450	\$ 40,383	\$ 102,833
2022	64,337	38,495	102,832
2023	66,282	36,551	102,833
2024	68,285	34,547	102,832
2025	70,349	32,483	102,832
2026-2030	384,955	129,208	514,163
2031-2035	446,755	67,407	514,162
2036-2037	<u>199,076</u>	<u>6,589</u>	<u>205,665</u>
	<u>\$ 1,362,489</u>	<u>\$ 385,663</u>	<u>\$ 1,748,152</u>

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 – RETIREMENT BENEFITS

Security guards, based on semiannual performance reviews, are eligible for a \$1,000 bonus to be placed in a Traditional IRA plan. District matches dollar for dollar up to an additional \$1,000 for every dollar contributed by the guards. Limit is \$1,000 per year for bonus and \$1,000 for matching contributions per guard. In 2020, the District agreed to contribute an additional \$3,000. For the year ended December 31, 2020, the District contributed \$20,000. The District also contributed \$2,000 to the Manager’s Traditional IRA and \$2,400 to the Secretary’s Traditional IRA.

NOTE 7 - BUDGETARY - GAAP REPORTING RECONCILIATION

The accompanying schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis for the Enterprise Fund. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective and entity differences in the revenues under expenditures for the year ended December 31, 2020, is presented as follows:

Net revenues over (under) expenses (NON-GAAP basis) (Page 24)	\$ (308,453)
Less	
Depreciation	(378,573)
Amortization	(9,957)
Add	
Debt principle payments	359,645
Capital outlay	<u>31,411</u>
Net revenues over (under) expenses (GAAP basis) (Page 10)	<u>\$ (305,927)</u>

NOTE 8 - CONTINGENCIES

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The amendment also requires that reserves be established for declared emergencies, with 3% of fiscal year spending required in 1995 and thereafter.

The District has no authorized but unissued debt subject to the amendment’s limitation. Based on fiscal year spending for 2020, \$53,299 of the year end fund equity in the Proprietary Fund has been reserved for emergencies.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

On November 6, 2001, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District without regard to any limitations under TABOR. The election is effective only for years beginning January 1, 2002, and thereafter.

STARWOOD METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claims made against the Starwood Metropolitan District and losses incurred by the District are covered by commercial insurance for all major areas. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for the last three years.

The District participated in the Western Slope Health Care Group for employee health and accident coverage. The plan is administered by Intercare Health Plans in Englewood, Colorado. The plan provides coverage up to a maximum of \$25,000 for each claim, with commercial insurance providing coverage in excess of this limit.

NOTE 10 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 23, 2021, the date at which the financial statements were available to be issued, and determined that no events have occurred that require disclosure.

SUPPLEMENTARY INFORMATION

STARWOOD METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2020

	Budget	
	Original	Final
REVENUES		
Water sales	\$ 140,000	\$ 140,000
Road impact fees	60,000	60,000
Property taxes	1,663,882	1,663,882
Specific ownership tax	45,000	45,000
Penalties and interest on delinquent taxes	9,874	9,874
Interest income	126	126
Tap fees	50,000	50,000
Insurance reimbursement	-	-
TOTAL REVENUES	1,968,882	1,968,882
EXPENSES		
Operating		
Salaries	195,567	195,567
Employee benefits	62,641	62,641
Insurance	38,489	38,489
Supplies and expenses	462,752	462,752
Security	442,880	442,880
Purchased water	62,000	62,000
Total Operating	1,264,329	1,264,329
General and Administrative		
Salaries	108,926	108,926
Employee benefits	61,354	61,354
Supplies and expenses	175,000	175,000
Treasurers fees	83,194	83,194
Total General and Administrative	428,474	428,474
Debt Service		
Principal	359,645	359,645
Interest	79,237	79,237
Bond fees	-	-
Total Debt Service	438,882	438,882
Legal Settlement	-	350,000
Capital Outlay	28,000	28,000
TOTAL EXPENSES	2,159,685	2,509,685
NET CHANGE IN NET POSITION	(190,803)	(540,803)
NET POSITION, BEGINNING OF YEAR	1,482,124	1,482,124
NET POSITION, END OF YEAR	\$ 1,291,321	\$ 941,321
RECONCILIATION FROM BUDGET BASIS EXPENDITURES (NON-GAAP) TO GAAP		
Add:		
Capital outlay		
Principal payment		
Subtract:		
Depreciation		
Amortization		
NET POSITION, END OF YEAR GAAP BASIS		

Actual Amounts	Variance from final budget
\$ 163,041	\$ 23,041
58,824	(1,176)
1,570,822	(93,060)
53,909	8,909
1,269	(8,605)
4,285	4,159
3,300	(46,700)
14,621	14,621
<u>1,870,071</u>	<u>(98,811)</u>
99,582	95,985
41,342	21,299
38,651	(162)
203,593	259,159
446,364	(3,484)
61,482	518
<u>891,014</u>	<u>373,315</u>
163,970	(55,044)
58,507	2,847
179,656	(4,656)
78,804	4,390
<u>480,937</u>	<u>(52,463)</u>
359,645	-
64,967	14,270
550	(550)
<u>425,162</u>	<u>13,720</u>
350,000	-
31,411	(3,411)
<u>2,178,524</u>	<u>331,161</u>
(308,453)	232,350
<u>4,915,234</u>	<u>3,433,110</u>
4,606,781	<u>\$ 3,665,460</u>
31,411	
359,645	
(378,573)	
<u>(9,957)</u>	
<u>\$ 4,609,307</u>	

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